

INCOMING TELEGRAM

Department of State

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Action

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FROM: Djakarta

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TO: Secretary of State

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First Minister Djuanda, expressing appreciation for Hilsma
perceptive presentation to Foreign Affairs Committee, made
strong plea for early release of additional PL-480 rice
during hour's talk with me this morning. Djuanda thought
announcement at this time of additional rice would have
important psychological impact in shoring up confidence in
stabilization plan, pending decisions hopefully to be reached
at DAC meeting in September on further external aid to GOI

Djuanda was more relaxed and confident than I have seen
him for some time. In contrast to earlier attitude, when
he frankly voiced fear that Malaysia, confrontation might
create situation in which it would be impossible for US to
help GOI, Djuanda now felt that summit agreement had brought
sufficient relaxation of tensions so that Malaysia issue
would not become disruptive of US plans for aid to Indo
stabilization. In response my query as to whether GOI had
sufficient foreign exchange resources to maintain present
pace import licensing until external assistance could become
effective, Djuanda replied in affirmative.

First Minister saw rice as principal difficulty over short
term. Now that main rice crop was in, price of rice during
fall months would be critical problem. Customarily, price

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rose 40 per cent during this period. He hoped that US could take steps to announce new rice availabilities immediately. If this decision could be made at once, it would have double impact -- announcement within next few days would help him tremendously in reassuring Indo people that help from America was actually continuing; arrival of rice shipment in two to three months would of course make stocks available at critical juncture.

In light importance oil revenues in total stabilization pictures as well as impact on US public and Congressional opinion of early and final conclusion of arrangements with oil companies, I asked Djuanda how soon Chaerul Saleh would be taking positive steps to bring heads of agreement negotiated so successfully in Tokyo to final conclusion in form actual contracts. Djuanda said he had instructed Saleh to proceed with discussion oil contracts immediately after August 17 and he anticipated no major problems, though contracts should be finalized in matter of weeks. I raised question of Shell opposition, to which Djuanda responded firmly that whatever differences Indo had with British over Malaysia would not be reflected in retaliation against Shell. He was counting on contract with Shell being finalized at same time as contracts with American companies.

During course of conversation I took advantage of opportunity to make points in DEPTTEL 174. Djuanda indicated with obvious relief that major confrontation policy was being abandoned.

Comment: Hovering wraith-like in background this conversation was obviously spectre of Broomfield amendment and serious market reaction which could occur here if speculators began to discount likelihood continuance US assistance. Also implicit was fact that with commodity prices generally declining or remaining stable, rice is sole commodity currently offering opportunity for profitable hoarding. Consequently, it is time for systematic public exploitation US and other external

-assistance-

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assistance to Indo as opportunity affords to bolster public confidence to Djuanda's appeal re rice, I plan to issue (or induce Indos to issue) press release within next few days announcing initial tranche of 50,000 tons from 1963 crop (already, of course, included in agreement but not generally known here) together with summary of anticipated shipments of rice from US arriving within next months. This should constitute psychological support for stabilization program, pending time when Department can inform us of additional rice for Indonesia.

JONES

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